



## Senate

General Assembly

**File No. 243**

*January Session, 2005*

Substitute Senate Bill No. 1254

*Senate, April 11, 2005*

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### **AN ACT CONCERNING THE OWNERSHIP OF REAL ESTATE BROKERAGE COMPANIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 20-312 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 (a) No person shall act as a real estate broker or real estate  
4 salesperson without a license issued by the commission, unless exempt  
5 under this chapter. The Commissioner of Consumer Protection may  
6 enter into any contract for the purpose of administratively processing  
7 the renewal of licenses on behalf of the commission.

8 [(b) No partnership, association or corporation shall be granted a  
9 real estate broker's license, unless every member or officer of such  
10 partnership, association or corporation who actively participates in its  
11 real estate brokerage business holds a license as a real estate broker,  
12 and unless every employee who acts as salesperson for such

13 partnership, association or corporation and every salesperson who is  
14 affiliated with such partnership, association or corporation as an  
15 independent contractor holds a license as a real estate salesperson. A  
16 partnership, association or corporation shall designate in its  
17 application the individual who is to serve as broker under the license.]

18 (b) The practice of or the offer to practice real estate brokerage  
19 business in this state by individual licensed real estate brokers or real  
20 estate salespersons as a corporation, limited liability company or  
21 partnership, a material part of the business of which includes real  
22 estate brokerage, is permitted, provided (1) the personnel of such  
23 corporation, limited liability company or partnership who engage in  
24 the real estate brokerage business as real estate brokers or real estate  
25 salespersons are licensed or exempt from licensure under this chapter,  
26 and (2) the corporation, limited liability company or partnership has  
27 been issued a real estate broker license by the commission as provided  
28 in this section and has paid the license or renewal fee required for a  
29 real estate broker's license as set forth in section 20-314. No such  
30 corporation, limited liability company or partnership shall be relieved  
31 of responsibility for the conduct or acts of its agents, employees or  
32 officers by reason of its compliance with this section, nor shall any  
33 individual practicing real estate brokerage be relieved of responsibility  
34 for real estate services performed by reason of the individual's  
35 employment or relationship with such corporation, limited liability  
36 company or partnership. The Real Estate Commission may refuse to  
37 authorize the issuance or renewal of a license if any facts exist that  
38 would entitle the commission to suspend or revoke an existing license.

39 (c) A corporation, limited liability company or partnership desiring  
40 a real estate broker license shall file with the commission an  
41 application on such forms and in such manner as prescribed by the  
42 Department of Consumer Protection. Each such corporation, limited  
43 liability company or partnership shall file with the commission a  
44 designation of at least one individual licensed as a real estate broker in  
45 this state who shall be in charge of the real estate brokerage business of  
46 such corporation, limited liability company or partnership in this state.

47 Such corporation, limited liability company or partnership shall notify  
48 the commission of any change in such designation not later than thirty  
49 days after such change becomes effective.

50 (d) The Real Estate Commission may impose a fine of not more than  
51 one thousand dollars on any corporation, limited liability company or  
52 partnership that engages in real estate business without a license  
53 required by this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2005	20-312

**INS**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note****State Impact:**

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Consumer Protection, Dept.	GF - Revenue Impact	Potential Minimal	Potential Minimal

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill reduces from \$2,000 to \$1,000 the fine the Real Estate Commission may impose on a corporation, or partnership that engages in a real estate business without a license. The bill also establishes a maximum fine of \$1,000 on an LLC that does so. Such fines are deposited into the Real Estate Guaranty Fund, a fund used to compensate persons aggrieved by certain violations of real estate laws. Currently, the balance of the Real Estate Guaranty Fund is \$500,000. To the extent that the bill changes the fine structure regarding violations of certain real estate laws, the bill could result in a minimal revenue impact.

**OLR Bill Analysis**

SB 1254

**AN ACT CONCERNING THE OWNERSHIP OF REAL ESTATE  
BROKERAGE COMPANIES****SUMMARY:**

This bill eliminates the requirement that every member or officer of a corporation or partnership that holds a broker's license who actively participates in its brokerage business be licensed as a real estate broker. It thus permits licensed real estate salespersons to be owners, members, partners, and officers of real estate brokerages. It specifies that limited liability companies (LLC) may be granted a real estate broker's license and eliminates the right of associations to be granted such a license.

The bill requires each such corporation, LLC, or partnership that wants a real estate broker license to apply to the Real Estate Commission in whatever manner the consumer protection department prescribes. It also requires corporations, LLCs, and partnerships that have real estate broker licenses to (1) designate at least one licensed real estate broker who must be in charge of the real estate brokerage business and (2) notify the commission of any change in the designation within 30 days after the change becomes effective.

The bill reduces from \$2,000 to \$1,000 the fine the Real Estate Commission may impose on a corporation or partnership that engages in real estate business without a license, and establishes a maximum fine of \$1,000 on an LLC that does so.

EFFECTIVE DATE: October 1, 2005

**REAL ESTATE BROKER'S LICENSE FOR A CORPORATION, LLC,  
OR PARTNERSHIP**

Under current law, partnerships, associations, or corporations may not be granted a real estate broker's license unless (1) every member or officer who actively participates in its brokerage business is licensed as a real estate broker and (2) every employee who acts as salesperson and every salesperson who is affiliated as an independent contractor,

is a licensed real estate salesperson. The business must designate in its application the individual who is to serve as broker under the license.

The bill allows both licensed brokers and salespersons to engage in the business of real estate brokerage as corporations, LLCs, and partnerships if: (1) the personnel who engage in the real estate brokerage business as real estate brokers or real estate salespersons are licensed or exempt from licensure, and (2) the corporation, LLC, or partnership has been issued a real estate broker license and has paid the license or renewal fee.

The bill specifies that (1) no corporation, LLC, or partnership is relieved of responsibility for the conduct or acts of its agents, employees, or officers because they complied with the bill and (2) no individual practicing real estate brokerage is relieved of responsibility for real estate services performed because of his employment or relationship with such a corporation, LLC, or partnership.

The bill authorizes the commission to refuse to authorize the issuance or renewal of a license for any reasons for which it may suspend or revoke a license.

## **BACKGROUND**

### ***Real Estate Commission—Authority to Impose Fines***

The Real Estate Commission may temporarily suspend or permanently revoke any real estate broker's license and, in addition to or in lieu of such suspension or revocation, may, in its discretion, impose a fine of up to \$2,000 when, after a hearing, the commission finds that the licensee has violated any real estate broker law or regulation (CGS § 20-320).

### ***Related Declaratory Ruling***

The Real Estate Commission, in a declaratory ruling dated July 19, 2002, ruled that each owner who actively engages in the management or control of a brokerage business must be individually licensed as a broker.

## **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 16      Nay 0